

ABSTRACT

Fraud in financial reporting occurs when someone intentionally manipulates financial statements to provide a misleading picture of the company's financial condition. In the perspective of agency theory, the relationship between shareholders as principals and management as agents who have different interests can trigger a conflict of interest. Principals encourage agents to realize their wishes and agents who realize with maximum effort can cause unbalanced information (asymmetric information).

This study aims to determine and analyze the effect of fraud diamond theory through pressure, opportunity, rationalization, and capability on fraudulent financial reporting in banking sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period using the f-score method.

The data used in this study are secondary data obtained based on financial and annual reports of 32 banking sub-sector companies for 5 years. The data analysis technique used is logistic regression which is processed using Statistical Package for the Social Sciences (SPSS) software.

The results of simultaneous testing show that the four fraud diamond variables simultaneously affect fraudulent financial reporting. However, partially only the pressure variable is proven to have a significant positive effect on fraudulent financial reporting. Meanwhile, the opportunity, rationalization, and capability variables have no effect on fraudulent financial reporting.

Based on the research results, future researchers are advised to develop indicators of measuring fraud diamond variables. The results of this study can be used as additional insight as well as evaluation material for companies in developing previous company performance. Investors' considerations for making investment decisions can also be based on fraud diamond research that has been conducted.

Keywords: Financial Statement Fraud, Fraud Diamond, Pressure, Opportunity, Rationalization, Capability